



**Director of
Central
Intelligence**

Top Secret

25X1

National Intelligence Daily

***Tuesday
23 January 1979***

Top Secret

CO NID 79-019.IX

23 January 1979

Copy 392

25X1

25X1

Page Denied

Top Secret

Contents

25X1

Situation Reports

Iran 1

[Redacted]

Briefs and Comments

25X1

Tanzania-Uganda: *Tanzanian Attack* 5^{25X1}

[Redacted]

Palestinians: *Assassination* 7

China: *Allocation of Grain Imports* 8^{25X1}

[Redacted]

Namibia: *South African Response* 9^{25X1}

[Redacted]

USSR - East Germany: *Oil Investment* 10

Special Analyses

Iran: *Paralyzed Economy* 11

USSR-Romania: *Ceausescu's New Challenge* 14

Overnight Reports 17

[Redacted]

Top Secret

25X1

[Redacted]

Top Secret

25X1

SITUATION REPORTS

IRAN

Key officials in the Liberation Movement of Iran, which is loosely affiliated with both the religious and the secular opposition groups, are worried that Ayatollah Khomeini's decision to return to Iran on Friday is premature and will spark a confrontation with the military.

25X1

We still know little about the talks between the opposition and the military, but it now appears that they have not resulted in any accommodation. Amir Entezam, a leading figure in the movement, told a US official yesterday that the opposition is trying to arrange another meeting among Liberation Movement leader Bazargan, Khomeini's chief representative in Tehran Beheshti, SAVAK chief Moghaddam, and Supreme Commander Garabaghi to smooth the way for Khomeini's arrival. Entezam appealed to the US to press Prime Minister Bakhtiar to step down in favor of Khomeini's Islamic Council.

25X1

25X1

The Liberation Movement leaders suspect Khomeini's lieutenants in Paris are urging him to return. This division is symptomatic of many splits emerging in the opposition. The left is becoming openly active. Moderate Islamic leaders like Ayatollah Shariatmaderi are increasingly unhappy with Khomeini's unwillingness to compromise with Bakhtiar. We doubt that the moderates will publicly break with Khomeini, however, because they still fear his hold on the masses.

25X1

The negotiations between the opposition and the military are essential to averting a showdown in the days ahead.

25X1

25X1

--continued

Top Secret

25X1

Senior officers will have to judge soon whether they have enough support to carry out a coup that can restore order throughout Iran. While they are undoubtedly aware that the growing breakdown of loyalty and cohesion in the military reduces their chances, many senior officers fear that a Khomeini-led government would remove them from their positions. In the talks with the opposition the senior officers are likely to press for some assurance that their interests will be protected once Khomeini returns.

25X1

25X1

Top Secret

25X1

Page Denied

Next 3 Page(s) In Document Denied



624597 1-79 CIA

25X1

25X1

Top Secret

BRIEFS AND COMMENTS

25X1

TANZANIA-UGANDA: Tanzanian Attack

25X1

The Tanzanian attack across Uganda's southern border was launched on schedule yesterday morning,

25X1

One

battalion, attacking in the west, penetrated 18 kilometers inside Uganda and took up defensive positions after meeting only light resistance. In the central region, Tanzanian forces quickly overran the border town of Mutukula and moved farther into Ugandan territory. We do not yet know how far the Tanzanian forces advanced on this attack,

25X1

Tanzanian President Nyerere has ordered the Army to move a force of some 800 armed exiles, loyal to former Ugandan President Obote, to the border area.

25X1

25X1

There has been little public reaction to the attack. A Ugandan spokesman said his country had annihilated the invading force, while a Tanzanian Government statement claimed that its troops had repulsed a Ugandan attack and were entering Ugandan territory in hot pursuit.

25X1

Top Secret

25X1

25X1

Page Denied

Next 1 Page(s) In Document Denied

25X1

Top Secret

PALESTINIANS: Assassination

Palestinian officials have charged that the assassination yesterday of Ali Hasan Salamah, a high-level Fatah security official, was the work of Israel and "allied interests." They have denied that the killing was tied to a recent upsurge of feuding among Palestinians. Salamah's death is likely to set off a new round of killings no matter who was responsible. 25X1

Both the Marxist-oriented Democratic Front for the Liberation of Palestine and the Iraqi-backed Black June have been feuding with Fatah in recent months, 25X1

25X1

The Israelis have made no secret of their desire to kill Salamah; they believe he masterminded several terrorist operations, including the massacre of Israeli athletes at the Olympics in Munich in 1972. The Israelis have also been concerned by the recent upsurge of terrorism in Israel--for some of which Fatah has claimed credit--and last week Israeli Chief of Staff Eitan vowed that the armed forces would hit back at terrorists "with all ways and means." 25X1

Salamah, known as Abu Hasan, was a longtime friend of Palestine Liberation Organization chief Arafat and a member of the Fatah Central Committee. He was a key member of the terrorist Black September Organization and for the past few weeks had been head of Fatah security. Arafat often used Salamah for delicate negotiating tasks and made him responsible for PLO liaison with rightwing Christians during the Lebanese civil war. 25X1

Top Secret

25X1

25X1

Top Secret

25X1

CHINA: Allocation of Grain Imports

Chinese grain imports during 1979 are likely to exceed the 10 million to 11 million tons China projects to be its annual needs over the next few years. China is seeking about half its grain import needs in the US and will buy the rest from its longtime suppliers--Canada, Australia, and Argentina.

25X1

The Chinese appear to be favoring multiyear trade agreements to guarantee desired amounts of wheat. China signed a three-year agreement with Argentina last year that covers the shipment of 800,000 tons of grain annually for the period 1979 to 1981. It signed a three-year agreement, probably for 2.5 million tons of wheat per year, with Australia last weekend. It also is negotiating a multiyear wheat purchase agreement with Canada that we expect would maintain Canada's share of 3 million tons a year. Canadian plans to acquire more rail cars, improve railroads, and expand terminals on its west coast are aimed at increasing exports in the long term and are not likely to have much short-term impact on exports. Any further expansion of Canadian grain exports to China during the next few years would require a corresponding decrease in exports shipped from the west coast to other customers.

25X1

China's record grain imports of 9.7 million tons last year were the result of three years of level grain production (1975 to 1977) that probably resulted in a drawdown of stocks, a decision to allow local units to retain larger portions of production as an incentive to increase agricultural investment, and a planned rise in living standards.

25X1

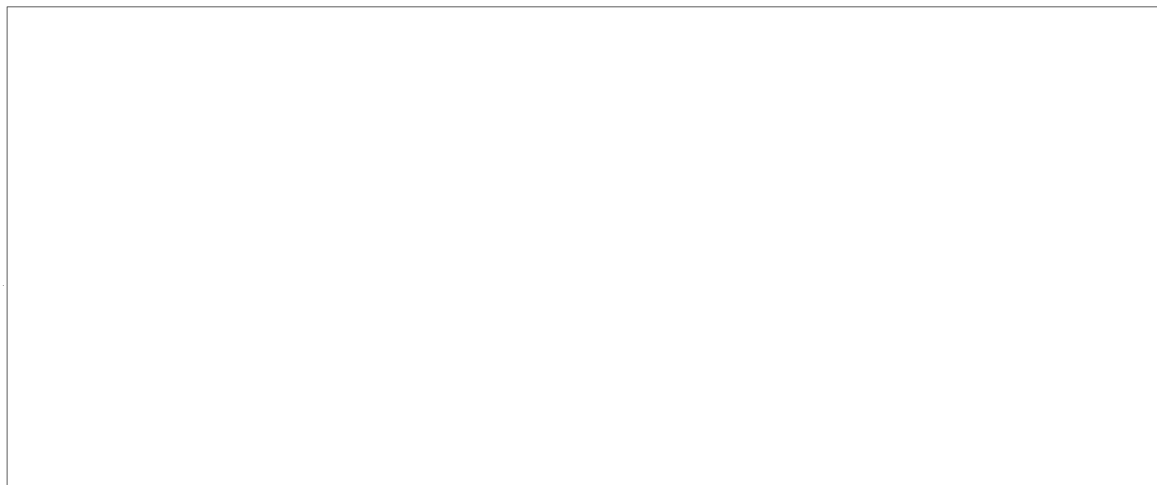
Top Secret

25X1

25X1

Top Secret

25X1



NAMIBIA: South African Response

South African Foreign Minister Roelof Botha yesterday informed the five Western sponsors of a Namibia settlement that South Africa has provisionally accepted a target date of 26 February for a UN transitional assistance group to begin deployment in Namibia. Martti Ahtisaari, UN Secretary General Waldheim's special representative for Namibia, has told Western envoys that during his visit to Namibia and South Africa last week he cleared up most of the procedural problems that had blocked implementation of the UN independence program. Botha implied, however, that the South Africans still intend to press Waldheim for assurances on several provisions of the UN plan that Ahtisaari was not authorized to negotiate--such as which nations would provide contingents for a UN military force and the date for a UN-sponsored election in Namibia. South Africa's acceptance of an early date for starting the UN operation is evidently intended to defuse international pressure for UN sanctions against South Africa while the South Africans continue hard bargaining with the Secretary General.

25X1

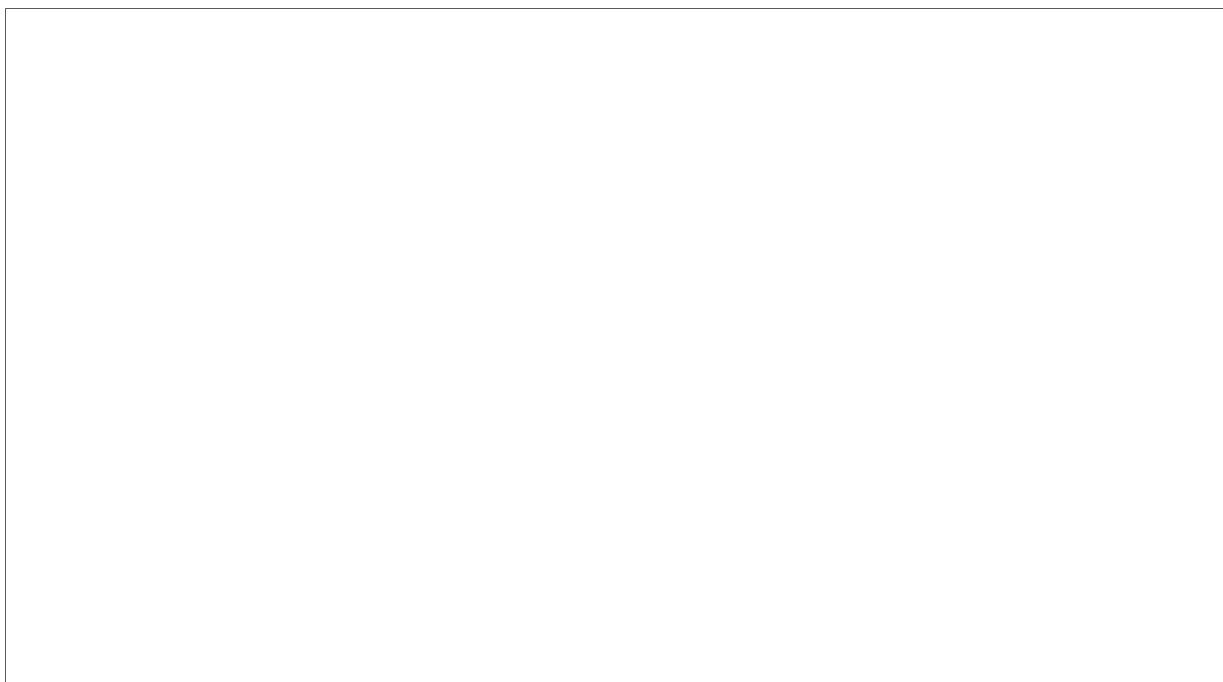
25X1

Top Secret

25X1

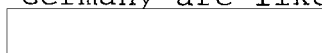
Top Secret

25X1



USSR - EAST GERMANY: Oil Investment

The USSR reportedly has told the East Germans that it will cut oil deliveries to East Germany unless they agree to increase further their participation in Soviet oil and gas projects during the period 1981-85. The East Germans, already committed to about \$2 billion worth of investments in the 1976-80 period and probably even more for 1981-85, indicate that they cannot afford additional investment. As an alternative, the East Germans are considering offering to buy more Soviet raw materials, process them, and return finished goods to the USSR. Based on our estimate of future Soviet oil production, however, Soviet oil deliveries to East Germany are likely to decline after 1980 in any case.



25X1

25X1

Top Secret

Top Secret

25X1

SPECIAL ANALYSES

IRAN: Paralyzed Economy

25X1

There is no assurance that Iranian workers will heed calls by either the country's religious leaders or the government of Prime Minister Bakhtiar to return to their jobs. No government can lay out any concrete economic program until a measure of political stability returns. Even then, Iran will face a period of severe economic austerity at a time when inflation will be further aggravated by shortages and rising demand caused by the recent salary hikes.

25X1

The economy is in disarray after months of demonstrations and strikes throughout the public and private sectors, and there is no prospect for an early return to normal conditions. The principal economic ministries are barely functioning, the Central Bank is providing only the most rudimentary services, oil production stands at less than 10 percent of normal, and an estimated 80 percent of industrial establishments outside the petroleum sector may still be shut down.

The economic bureaucracy will continue to lie low until it receives explicit directions. The Commerce Ministry and the Plan and Budget Organization are without ministers and have only a few senior personnel reporting to work. The Ministry of Economic Affairs and Finance has a newly appointed chief--Rustan Pirasteh, a former senior vice president of a major US bank with headquarters in New York--but some other senior personnel in the Ministry have left the country.

25X1

At the Central Bank--which had been shut down since 25 November--only about one-third of the staff has returned to work and those who have showed up have not done much.

--continued

Top Secret

25X1

Top Secret

25X1

Central Bank employees have refused to touch any transaction involving military purchases, which may affect payment for military items from the US. [redacted]

Production and Labor Problems

25X1

Oil workers were reported responding to the mediation efforts of the leader of the Liberation Movement of Iran, Mehdi Bazargan, who is acting as Ayatollah Khomeini's emissary to them. Production of crude oil, however, has increased only slightly--to just over 500,000 barrels per day. The refineries that were closed down in late December have now reopened but are not operating at full capacity. Refinery output probably is sufficient to provide somewhat more than half of domestic requirements. [redacted]

25X1

Almost all of the major industrial facilities--except for food processing and pharmaceutical plants--were shut as of 10 January. The shutdowns were caused by a lack of fuel and transportation, shortages of imported producer goods, and, in a few cases, labor problems. The Esfahan steel plant, which accounts for the bulk of Iran's domestic steel production, is threatened with a prolonged shutdown because it has not received deliveries of coke to fire its ovens. [redacted] 25X1
[redacted] it could take a year or more to resume production if the coke oven fires have been extinguished. Other steel plants, including the important gas-fired facility at Ahwaz, have ceased operations because their natural gas has been cut off. [redacted] 25X1

25X1

Many industrial enterprises have continued to pay their employees in the hope they could soon resume production, but high overhead and a lack of income are draining cash and may force them to stop. Even when production does resume, full recovery will be a long-term process for some firms and just about impossible for marginal producers. In the interim, many firms are likely to pare operations or go out of business; large numbers of workers would then become jobless and the ranks of the urban dissidents would increase. [redacted]

25X1

--continued

Top Secret

25X1

25X1

Top Secret

Organized labor, a new phenomenon in Iran, almost certainly will be a potent force in the future now that workers have learned to use their economic and political power. Although most workers still appear responsive to the direction of religious leaders, labor may well split into factions and thus encourage radicals to attempt to expand their influence. []

25X1

Khomeini's Economic Policies

Khomeini's vision of an Islamic republic in Iran does not yet include specific economic plans. The religious leader says he is not opposed to modernization--but his economic program clearly would be considerably less growth-oriented than the Shah's. He has asserted that experts in his entourage are capable of dealing with economic issues and, in response to reporters' inquiries, has expounded some vague economic policy goals that an Islamic government would pursue. []

25X1

These include:

- Economic policies that are independent of foreign companies operating in Iran. []
- Agricultural self-sufficiency based on a new land reform that would return to the religious establishment lands "usurped" by the landlords or the government and give to the poor those lands for which owners have not paid "Islamic" taxes. []
- An oil policy designed to earn Iran maximum revenues and maximum political advantage, but no exports to Israel or South Africa. []
- Revision of the banking system, to eliminate interest charges. []

25X1

25X1

Khomeini would be willing to see Iran accept foreign assistance, if necessary, but only as long as it does not "jeopardize Iran's independence." []

25X1

Top Secret

25X1

25X1

Top Secret

USSR-ROMANIA: Ceausescu's New Challenge

by Mel Goodman, CIA

The USSR has so far acted cautiously in its public dispute with Romania over Warsaw Pact policy. There is a range of economic and military pressures the Soviets could use against Romania to force it into line. Romanian President Ceausescu, however, has had many years of experience in testing the limits of Soviet toleration.

25X1

The Soviet-Romanian rift that came to a head at the Warsaw Pact summit meeting in Moscow in late November followed a year of Romanian initiatives designed to strengthen ties with the US, Western Europe, and China.

25X1

The Soviets found Ceausescu's overtures toward the Chinese particularly annoying. Ceausescu's tilt toward China--during his trip through Asian Communist states in the spring and in receiving Chinese Premier Hua Guofeng (Hua Kuo-feng) in Bucharest in August--was evidently what prompted Foreign Minister Gromyko's visit to Romania in October. Gromyko is reported to have reproached the Romanians for bringing Chinese influence into Europe at a "very dangerous time."

25X1

Ceausescu is evidently playing his Chinese card in an effort to strengthen his assertion of Romania's "independent" and "national" foreign and defense policies. For some years, the Romanian leader has publicly rejected the so-called Brezhnev Doctrine--the thesis that the sovereignty of the USSR's allies in Eastern Europe is limited by their common objectives. He has stated unequivocally that the Romanian armed forces are subject only to national control, not that of the Warsaw Pact. He has condemned military maneuvers on the territory of other states in the hope that he thereby could forestall such maneuvers on Romanian soil.

25X1

--continued

Top Secret

25X1

25X1

Top Secret

The dispute at the summit meeting in November led to the most public airing of disagreements between the USSR and Romania since Ceausescu's condemnation of the Soviet invasion of Czechoslovakia in 1968. The Romanian leader evidently had concluded that Soviet proposals at the summit would, if accepted, result in another move toward Soviet domination of the Pact. He presumably thought his best chance of heading off the Soviet effort was to go public with his opposition. [redacted]

Possible Soviet Responses

25X1

The Soviets have responded cautiously thus far to the Romanian challenge--but they have signaled a willingness to take the Romanians to task. Two weeks after the summit, President Brezhnev strongly reaffirmed the Pact's commitment to the policies Ceausescu challenged and castigated Ceausescu's objections to them as "demagogic." [redacted]

25X1

The Soviet media began a new phase of the dispute with authoritative refutations of the Romanian position that were designed to persuade the Romanians to come to terms and to reassure other Pact members that might be similarly reluctant to accept the need for further military efforts. [redacted]

25X1

The Romanians evidently believe that the most likely form of Soviet pressure would be economic; the Romanian economy could in fact be hurt by a Soviet economic squeeze that had the support of other Pact countries. More than 40 percent of Romania's trade is with its East European neighbors, which are important sources of coking coal, iron ore, and ferrous metals critical for Romanian industrial production. The Pact countries are also a major market for many Romanian exports--particularly consumer goods difficult to market in the West. [redacted]

25X1

The Soviets might calculate, however, that any pressure tactic could lead Romania to seek more aid from the West--a development that the Soviets wish to avoid. [redacted]

25X1

--continued

Top Secret

25X1

Top Secret

25X1

Soviet military power is the ultimate sanction against Ceausescu's behavior, but under current circumstances the Soviets are not likely to resort to military intervention. Such a course would compromise detente with Western Europe and freeze Soviet-US relations. Varying degrees of military pressure short of an invasion, such as maneuvers close to the Romanian border, could have some effect. Military pressure, however, would risk solidifying support for Ceausescu at home and strengthening arguments within NATO for increased military expenditures. [REDACTED]

25X1

Prospects

The Soviet actions toward Romania so far suggest that the USSR is not reluctant to acknowledge the current strain in relations but at the same time is trying to limit damage to its own prestige and avoid making Ceausescu even more recalcitrant. Soviet commentary has been more in the nature of a lecture than a warning. [REDACTED]

25X1

The Soviets, however, will probably continue to seek ways--including the threat of punitive measures--to convince Ceausescu to moderate his positions. [REDACTED]

25X1

25X1

Ceausescu for his part appears to have understood the Soviet message and is well aware of the limits of Soviet toleration and of the need to lower tensions before events reach a breaking point. Ceausescu's decision to send Foreign Minister Andrei to Moscow late this month suggests that the Romanian leader has decided that it is time at least to begin discussing his differences with the USSR. [REDACTED]

25X1

25X1

Top Secret

Top Secret

25X1

OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

West Germany - Saudi Arabia

The West Germans have informed the US Embassy that Chancellor Schmidt briefed visiting Saudi Foreign Minister Saud last Friday on the Guadeloupe summit. According to the West Germans, Saud "did not react negatively" when Schmidt broached the proposal, discussed at Guadeloupe, to stretch out the oil price increases from one year to two. Saud expressed concern about the impact of Iranian oil production problems and said an international understanding was needed on how to make up for the loss. When Schmidt discussed the subject of aid to Turkey, Saud welcomed the news and said that his government would assist Turkey "in our own way." The West Germans regard Saud's remarks on the two subjects as "encouraging."

25X1

USSR-China

The US Embassy in Moscow reports that an article in *Pravda* on Friday drew attention to the Soviet-Mongolian mutual assistance protocol of 1936 and cited a Mongolian military officer as charging that today's "Maoists" are moving on the same path as the "border trespassers," the Japanese, defeated by Soviet-Mongolian forces in the summer of 1939. The *Pravda* piece thus is not pegged to the anniversary of that battle, and the Embassy has learned that Mongolian media are giving prominence to a tour of military units near the Sino-Mongolian border by Mongolian leader Tsedenbal, the Mongolian Defense Minister, the head of Mongolia's border army, and the Soviet Ambassador. The Embassy notes that the Soviets probably intend these steps as "reminders" to China that the USSR will abide by its treaty commitments to its allies on China's periphery, including Vietnam.

25X1

--continued

Top Secret

25X1

Top Secret

25X1

USSR - Southeast Asia

A Malaysian diplomat recently told the US Embassy in Moscow that the USSR has invited Malaysian Prime Minister Hussein to make an official visit. The Embassy says the timing of the invitation presumably reflects Soviet concern about the deep apprehensions of ASEAN member-states growing out of Vietnam's incursion into Kampuchea. It also notes that the Soviet press is at pains to give a "business as usual" coverage to Southeast Asia, treating the fighting in Kampuchea as a purely internal, welcome uprising and praising any bits of evidence that individual ASEAN states seek improved relations with Hanoi and the new regime in Phnom Penh. The Malaysian diplomat said that Hussein is not likely to visit Moscow in the near future given the recent events in Kampuchea.

25X1

Namibia

UN Secretary General Waldheim's special representative for Namibia, Martti Ahtisaari, (see Namibia article in Briefs and Comments) is expected to return to UN headquarters today. UN Undersecretary General Urquhart yesterday told US officials he was concerned about the South Africans' exclusion of Finland and Sweden from their list of countries to provide a UN military force in Namibia. He said that Finland's exclusion would undercut Ahtisaari, a Finnish citizen, "right from the start" and that the contemplated Swedish logistics unit is "essential" for the transport and supply of UN elements. Urquhart said a number of countries on the South Africans' list would be either politically unacceptable or unable to contribute the required troops.

25X1

--continued

Top Secret

25X1

Top Secret

25X1

Canada-USSR

According to the US Embassy in Ottawa, Canada today will ask the USSR for \$6,041,174.70 (Canadian money) in compensation for damage caused by the Cosmos 954 nuclear-powered satellite when it crashed on Canadian soil a year ago tomorrow. The amount being requested does not include costs incurred by the US in connection with the incident. The US had officially left that decision solely up to Canada, and Ottawa yesterday informed the US that only Canadian costs would be cited. [REDACTED]

25X1

Venezuela-Nicaragua

Venezuelan President Perez, in a talk with US Ambassador Luers on Sunday, said he believes that the Nicaraguan situation is grave, that the mediation process is over, and that the US must soon act firmly to prevent Nicaragua from becoming the Achilles' heel of President Carter's Latin American policy. Perez is sending Foreign Minister Consalvi and Venezuelan Cardinal Quintero to Mexico to meet with Pope John Paul II, who arrives there Friday, and alleged that Sandinista leader Pastora would also confer with the Pope. He pledged "full support" to the Sandinistas but denied he would give them arms or money. Perez also claimed to have a plan ready to attack President Somoza's bunker and the National Guard barracks, both in Managua, should Nicaragua invade Costa Rica. Ambassador Luers comments that the remarks were "vintage Perez" and that his desire to be helpful on US policy toward Nicaragua is increasingly in conflict with his passion to see Somoza gone before Perez' term expires on 13 March. The Ambassador regards the threat to bomb Managua as saber rattling--he doubts Perez would risk civilian casualties--but adds that Perez might order an attack on airfields were Nicaragua to move on Costa Rica. [REDACTED]

25X1

--continued

Top Secret

25X1

Top Secret

25X1

UK

According to press reports, Prime Minister Callaghan has called a special session of senior cabinet ministers for today for further review of whether a state of emergency should be called. Home Secretary Rees indicated during a stormy debate in the House of Commons last night that such a step may be imminent. The national railway system is shut down again today, and yesterday's strike activity by many types of workers reportedly had more people, some 1.5 million, on strike than at any time since the general strike in 1926.

25X1

25X1

Top Secret

25X1

25X1

Top Secret